

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of	)	
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Options to Promote Rural Broadband in	)	WC Docket No. 10-90
Rate-of-Return Areas	)	
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**Reply Comments of GVNW Consulting, Inc.**

Jeffrey H. Smith  
Kenneth T. Burchett  
GVNW Consulting, Inc.  
8050 SW Warm Springs Street, Suite 200  
Tualatin, Oregon 97062

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### ***Executive Summary***

As the Commission analyzes the issues in this important proceeding, we respectfully request that the needs of all customers, including those in the most extreme areas, be recognized. Just as a yardstick is a poor tool for measuring machine parts that vary by millimeters, a CAF Phase II model designed for price-cap carriers may lack the fine-grained resolution needed to account reliably for important variations among rate-of-return carriers. Some tailoring of any model and the policy choices embedded in any surrounding framework will almost certainly be needed in order to address the challenges faced by smaller carriers operating predominantly or exclusively in rural areas. An appropriate public policy approach for this issue is to ensure a robust process before modeling is applied to rural carriers with their geographically diverse study areas. The flaw in an incomplete process is if it fails to capture with precision the extent to which rural study areas do not “average out” internally.

Our concern with a review of the current model platform is that it tends toward a “one size fits all” approach, and relies heavily on a yet to be refined and tested CAF model. This provides a poor basis to move forward with a transparent, data-driven platform. The Commission has repeatedly stressed its desire to use a transparent, data-driven process to develop telecommunications public policy. If it is to achieve this standard, it must be very careful in the assumptions it uses that are not supported by empirical data.

We support the Rural Association proposal that involves modifying several existing rules in order to allow RLECs to receive support for standalone (data-only) broadband lines through the implementation of a Data-Only Broadband (DOBB) support

mechanism. In short, providing support for loops that are used to provide standalone broadband services would promote and accelerate the ongoing IP evolution, and it would finally provide a basis for a Connect America Fund that supports broadband in **all** rural areas.

## **INTRODUCTION AND BACKGROUND**

GVNW Consulting, Inc. (GVNW) submits reply comments filed pursuant to the Commission's Public Notice (DA 13-1112), released on May 16, 2013. In the instant Public Notice, the Wireline Competition Bureau seeks further comment on options to promote the availability of modern voice and broadband-capable networks in rural areas served by rate-of-return carriers, focusing on two possible frameworks. The first option involves modifying several existing rules in order to allow RLECs to receive support for standalone (data-only) broadband lines through the implementation of a Data-Only Broadband (DOBB) support mechanism. We support this concept. The second approach would permit rural carriers to seek model-based Connect America Fund (CAF) Phase II support for broadband. We offer concerns about model-based approaches for rural carriers.

GVNW is a management consulting firm that provides a wide variety of consulting services, including regulatory and advocacy support on issues such as universal service, intercarrier compensation reform, and strategic planning for communications carriers in rural America. We are pleased to have the opportunity to offer reply comments addressing the issues the Commission has raised in the *Public Notice*, focusing on supporting the first framework as proposed by the Rural Associations.

## **THE RURAL ASSOCIATION PROPOSAL IS A NECESSARY STEP TOWARD ACHIEVING PARITY**

The present transition path to a rational basis of broadband support is not synchronous<sup>1</sup> for all carriers. The CAF is already providing support for price cap carriers regardless of whether their customers take voice or broadband services.

With one notable exception of the National Cable & Telecommunications Association, commenters supported the Rural Association proposal. As the United States Telecom Association notes at page 3 of its comments: *“The Commission’s current policy of not supporting standalone broadband offered by RLECs is contrary to its goal to remove barriers to evolution to an all IP network, and the deployment and adoption of broadband facilities and services.”*

The Rural Associations (NTCA – the Rural Broadband Association, The National Exchange Carrier Association, Inc., The Eastern Rural Telecom Association, and the Western Telecommunications Alliance (NTCA, et al)) offer a key point in footnote 22 of their comment filing, stating in part:

*It seems all too often lost in the debate over USF reform that universal service entails not just the act of “getting it there,” but also requires “keeping it there.” . . . the longer-term question of sustainability – specifically, whether broadband services will remain reasonably comparable in price and quality over the life of the investment in question such that consumers can adopt and make meaningful use of broadband – is doomed to fall short of the statutory universal service mandates and is at great risk of putting valuable USF dollars at risk.*

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<sup>1</sup> Under current rules, support is not provided to a rural carrier when a customer orders standalone broadband services. Standalone or data-only broadband service is defined as broadband Internet access transmission service to a connection point with an ISP that uses the same loop facilities currently provided by RLECs to enable customers to access the Public Switched Telephone Network (PSTN) or equivalent. As stated in an ex parte of NTCA, NECA and WTA dated February 22, 2013: *In short, providing support for loops that are used to provide standalone broadband services would promote and accelerate the ongoing IP evolution, and it would finally provide a basis for a Connect America Fund that supports broadband in **all** rural areas.*

We concur with the statement of the Alaska Rural Coalition (ARC) on page 4 of its comments: “*The Commission must design its high-cost support policies to maximize deployment of the infrastructure necessary to support high-speed broadband regardless of customers’ choice of voice interface.*” This is in stark contrast to the unfounded criticisms offered by the National Cable & Telecommunications Association (NCTA) that would effectively disadvantage large numbers of rural consumers from receiving the same menu of options available to urban consumers. The National Cable group appears to seek to deny access to affordable broadband in an IP platform environment to many rural customers of rural carriers that the CAF is geared to provide to others in rural areas.

On a somewhat arcane technical note, the advocates for NCTA have confused the definition of the “sale of POTS” with the working definition of “the offer of voice telephony service.” The NTCA et al proposal clearly fits within the scope of what is possible under the record to date. The question is whether this Commission intends to treat all of rural America in an equitable manner.

Few commenters addressed the important issue that in its present form, the proposal does not address the pressing need for middle mile cost assistance<sup>2</sup> for some rural carriers or other non-network ISP operational costs as reflected in the price cap model.

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<sup>2</sup> Middle mile costs for some rural carriers will need future attention from this Commission. While some price cap carriers can see where they connect to the Internet backbone, for many rural carriers it is a long trip to get there. Geography should not be a penalty in the delivery of a national broadband potential.

## **MODELING EFFORTS CONTINUE TO PROVE INADEQUATE IN REGARD TO ACCURATELY CAPTURING RURAL CHARACTERISTICS**

The Commission also seeks comment on the benefits of creating “*a more explicit voluntary pathway to model-based support . . . in rural rate-of-return areas.*” As the Commission analyzes the issues in this important proceeding, we respectfully request that the needs of all customers, including those in the most extreme areas, be recognized.

In our comments, we expressed concerns and reservations about eligibility<sup>3</sup>, data assumptions<sup>4</sup>, and geographical differences<sup>5</sup>.

In its comments at page 4, TDS Telecommunications, Inc. succinctly captures the problem in the following: “*As a result, just as a yardstick is a poor tool for measuring machine parts that vary by millimeters, a CAF Phase II model designed for price-cap carriers may lack the fine-grained resolution needed to account reliably for important variations among rate-of-return carriers. Some tailoring of any model and the policy choices embedded in any surrounding framework will almost certainly be needed in order to address the challenges faced by smaller carriers operating predominantly or exclusively in rural areas.*” For example, the current provisions for price cap companies of only having support determined by the models for a five-year period leaves a considerable gap in recovery of cable and wire facilities (outside plant) and circuit

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<sup>3</sup> Eligibility issues stem from concerns about the veracity of the National Broadband Map data that is the current basis for determining CACM eligibility. While errors and inaccuracies may indeed average out for the larger price cap companies, the magnitude of any errors for rural carrier study areas may have more profound consequences.

<sup>4</sup> Concerns about data assumptions include, but are not limited to: rate of return assumptions, capital and operating expense inputs, and infrastructure mix issues. More testing is obviously needed before application to small rural carriers.

<sup>5</sup> Geographic differences have not been as important across the large geographies of the price cap companies, but can be pronounced and impactful for small company study areas.

equipment investments that are assumed to have a 20-25 year life in the first instance and a 10 year life in the second instance.

As we stated previously in our comment filing, we respectfully submit that a separate and specific Notice and Comment process would be required that would analyze the issues specific to rural carriers. Our review of the current CACM process indicates that it is based upon large carrier data and placeholder estimates that would require extensive testing **BEFORE** being applied to rural high-cost carriers.

### ***Conclusion***

The Commission faces some important decisions in this docket. We encourage the Commission to consider the needs of all customers, including customers that live in high-cost to serve areas, as policies related to cost support are developed. The Commission has repeatedly stressed its desire to use a transparent, data-driven process to develop telecommunications public policy. If it is to achieve this standard, it must be very careful in the assumptions it uses that are not supported by empirical data.

An appropriate public policy approach for the modeling portion of this issue is to ensure a robust process before modeling is applied to rural carriers with their geographically diverse study areas. The flaw in an incomplete process is if it fails to capture with precision the extent to which rural study areas do not “average out” internally. We agree with the opinion expressed by NTCA – the Rural Broadband Association, The National Exchange Carrier Association, Inc., The Eastern Rural Telecom Association, and the Western Telecommunications Alliance (NTCA, et al) as noted at page 2 of their WC Docket No.10-90 March, 2013 filing on the related topic of



GVNW Consulting, Inc.

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unsubsidized competitors: *Specifically, nothing less than a meaningful and evidence-based process must be applied at each turn – **without short-cuts** – if the Commission is to fulfill its statutory universal service responsibilities to rural consumers. (Emphasis added).* As the late Senator Daniel Patrick Moynihan stated: “Everyone is entitled to his own opinion, but not his own facts.”

Respectfully submitted,

*Via ECFS at 7/12/13*

Jeffrey H. Smith  
President and Chief Executive Officer  
[jsmith@gvnw.com](mailto:jsmith@gvnw.com)